

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Appropriations

BILL: SPB 2506

INTRODUCER: For consideration by Appropriations Committee

SUBJECT: State Group Insurance Program

DATE: March 30, 2021

REVISED: _____

ANALYST

STAFF DIRECTOR

REFERENCE

ACTION

Urban/Shettle

Sadberry

Pre-meeting

I. Summary:

SPB 2506 amends the State Group Insurance Program administered by the Department of Management Services.

For the State Group Insurance Program, the bill:

- Deletes obsolete language regarding employees paid from the other-personal-services appropriations categories and hired before April 1, 2013.

For the State Employee Health Insurance Program, the bill:

- Repeals the implementation of the metal tier health insurance plans, which had been scheduled for implementation during the 2020 plan year.
- Codifies the regions that must be used for any procurement of HMO services beginning in 2023. These regions are based on utilization and referral patterns studied by DMS recently and the rule recommended by the department.
- Requires an HMO option to be available to all enrollees of the program living in Florida.

For the Prescription Drug Program, the bill:

- The bill requires the department to ensure that all rebates, fees and other charges related to pharmacy spend are remitted to the state for the benefit of the program.
- Deletes obsolete language regarding maximum annual coverage for enteral and elemental formulas

The bill takes effect July 1, 2021.

II. Present Situation:

State Group Insurance Program

Overview

The State Group Insurance Program (SGI Program) is created by s. 110.123, F.S., and is administered by the Division of State Group Insurance (DSGI) within the Department of Management Services (DMS). The SGI Program is an optional benefit for most state employees employed by executive branch agencies, state universities, the court system, and the Legislature and includes health, life, dental, vision, disability, and other supplemental insurance benefits. The SGI Program typically makes benefits changes on a plan year basis, January 1 through December 31.

Eligible Employees

The SGI Program is open to the following individuals:

- All state officers;
- All state employees paid from “salaries and benefits” appropriation categories, regardless of the number of hours worked;
- Retired state officers and state employees;
- Surviving spouses of deceased state officers and state employees;
- Certain terminated state officers and state employees; and
- Certain state employees paid from “other-personal-services” (OPS) appropriation categories.

For OPS employees hired after April 1, 2013, to be eligible to participate in the health insurance program, the employee must¹:

- Be reasonably expected to work an average of at least 30 hours per week; and
- Have worked an average of at least 30 hours per week during the person’s measurement period (which is 12 consecutive months² of employment).

For OPS employees hired before April 1, 2013, the measurement period was the six-month period from April 1, 2013, through September 30, 2013.³

State Employee Health Insurance Program

Health Insurance Premiums and Revenues

Over 176,000 active and retired state employees and officers are expected to participate in the health insurance program during Fiscal Year 2020-2021. The health insurance benefit for active employees has premium rates for single, spouse program,⁴ or family coverage regardless of plan selection. These premiums cover both medical and pharmacy claims. The state will contribute approximately 92 percent toward the total annual premium for active employees and officers, or \$2.08 billion out of total premium of \$2.25 billion for active employees during Fiscal Year 2020-

¹ Section 110.123(2)(c)2., F.S.

² Section 110.123(13)(d), F.S.

³ Section 110.123(13)(c), F.S.

⁴ The Spouse Program provides discounted rates for family coverage when both spouses work for the state.

2021.⁵ Retirees and Consolidated Omnibus Budget Reconciliation Act (COBRA) participants will contribute an additional \$235.6 million in premiums, with \$250.2 million in other revenue for a total of \$2.74 billion in total revenues.⁶

State Employee Health Insurance (Medical Claims)

The DMS provides medical services to health plan members through a self-insured preferred provider organization (PPO), self-insured HMO plans, and a fully-insured HMO plan. Under current contracts, a single provider (Florida Blue) administers the statewide PPO plan. This contract expires December 2022. Three providers (Aetna, AvMed, and United Health Care) administer the self-insured HMO plans providing services in 60 counties combined. Capital Health Plan is a fully-insured HMO plan providing services in 7 counties. The current HMO contracts were awarded on a county-by-county basis with service based on the county in which the member works or resides. These contracts expire December 2021, but are eligible for two 1-year renewals.

Metal Tier Plans

During the 2017 Regular Session, the Legislature directed the DMS to offer health plans, beginning in the 2020 plan year, with specific actuarial values. The actuarial values represent the average cost sharing between the plan and the enrollee for a set of benefits. The cost sharing element includes premiums as well as deductibles and out-of-pocket coinsurance and copayments. Specifically, the DMS was directed to include in the health insurance program:

- A platinum level plan, which must have an actuarial value of at least 90 percent.
- A gold level plan, which must have an actuarial value of at least 80 percent.
- A silver level plan, which must have an actuarial value of at least 70 percent.
- A bronze level plan, which must have an actuarial value of at least 60 percent.⁷

The DMS was directed to contract with an independent benefits consultant to develop an implementation plan by January 1, 2019.⁸ The DMS contracted with Foster & Foster to complete the report.⁹

The table below shows the current premiums by pay plan and by coverage type and the proposed platinum and bronze plans.¹⁰ The report assumes that roughly 80 percent of the enrollees will choose the platinum plans and another 6 percent will choose the bronze plans.¹¹ As shown in the columns for enrollee premiums, the enrollees choosing the platinum plans will pay significantly higher monthly premiums than they do under the current plans. On the other hand, enrollees selecting the bronze plans may experience lower premiums than under the current plans.

⁵ Florida Legislature, Office of Economic and Demographic Research, Self-Insurance Estimating Conference, *State Employees' Group Health Self-Insurance Trust Fund – Report on the Financial Outlook for Fiscal Years Ending June 30, 2020 through June 30, 2025*, adopted January 8, 2020, page 6, available at <http://edr.state.fl.us/content/conferences/healthinsurance/HealthInsuranceOutlook.pdf>.

⁶ *Id.*

⁷ Section 110.123(3)(j), F.S.

⁸ Section 110.123(3)(k), F.S.

⁹ *Implementation of Metal Tier Health Plans in the State Group Health Insurance Program*, prepared by Foster & Foster for State of Florida Department of Management Services, Division of State Group Insurance.

¹⁰ *Id.* at 161.

¹¹ *Id.* at 155.

		2019 Standard Plan Premium Rates			2020 PPO/HMO Platinum Plan			2020 PPO/HMO Bronze Plan		
		Employer	Enrollee	Total	Employer	Enrollee	Total	Employer	Enrollee	Total
Career Service/ OPS	Single	\$684.42	\$50.00	\$734.42	\$685	\$165	\$850	\$600	\$5	\$605
	Family	\$1,473.18	\$180.00	\$1,653.18	\$1,475	\$395	\$1,870	\$1,300	\$30	\$1,330
	Spouse	\$1,623.20	\$30.00	\$1,653.20	\$1,625	\$245	\$1,870	\$1,320	\$10	\$1,330
SES/ SMS	Single	\$726.08	\$8.34	\$734.42	\$730	\$120	\$850	\$600	\$5	\$605
	Family	\$1,623.20	\$30.00	\$1,653.20	\$1,625	\$245	\$1,870	\$1,300	\$30	\$1,330
Early Retirees	Single	n/a	\$734.42	\$734.42	n/a	\$850	\$850	n/a	\$588	\$588
	Family	n/a	\$1,653.18	\$1,653.18	n/a	\$1,870	\$1,870	n/a	\$1,297	\$1,297

A major concern regarding implementation of the metal plans is the opportunity for roughly 29,000 eligible employees who “opt-out” of coverage to enroll in the bronze plan. The report points out that if all of these employees enrolled in a family plan, the premiums paid by state agencies would increase by \$464 million annually, the premiums paid by these employees would increase by \$10 million annually, and newly authorized income supplements would increase by \$61 million. Overall, state agencies would bear an additional \$525 million of costs.¹²

State Employees Prescription Drug Program

As part of the SGI program, the DMS is required to maintain the State Employees’ Prescription Drug Program (Prescription Drug Plan).¹³ The DMS contracts with CVS/Caremark, a pharmacy benefits manager (PBM), to administer the Prescription Drug Plan. The Prescription Drug Plan has three cost sharing categories for members: generic drugs, preferred brand name drugs, which are those brand name drugs on the preferred drug list, and non-preferred brand name drugs, which are those brand name drugs not on the preferred drug list. Contractually, the PBM updates the preferred drug list quarterly as brand name drugs enter the market and as the PBM negotiates pricing, including rebates with manufacturers.

III. Effect of Proposed Changes:

Section 1 amends s. 110.123, F.S., to modify the health insurance program available to state employees and officers.

Subsections (2) and (13) are amended to delete obsolete language relating to OPS employees hired prior to April 1, 2013. This change has no impact on employees or the State Group Insurance Program.

Subsection (3) is amended to require at least one HMO option to be available for health insurance program enrollees residing in the state. Under the current HMO contracts, an HMO option is available throughout the state.

Statutory direction requiring the DMS to establish HMO regions by rule is deleted. This language is obsolete because a new subsection (14) is created to establish the HMO regions by law, beginning in the 2023 plan year. Although HMO regions are established, the DMS retains the authority to contract with HMOs on a statewide basis.

¹² *Id.* at 159.

¹³ Section 110.12315, F.S.

Statutory direction requiring the DMS to implement “metal tier” plans beginning in the 2020 plan year, as well as, the requirement for a report to the legislature, is deleted.

Section 2 amends s. 110.12315, F.S., to modify the prescription drug program administered by the DMS.

Subsection (10) is amended to delete obsolete language that capped coverage for enteral formula and amino-acid-based elemental formulas at \$20,000 annually.

Subsection (11) is added to ensure that any rebates, discounts, and other fees associated with the purchase or use of prescription drugs or supplies in the program are for the benefit of the program. The DMS must audit the amounts annually.

Section 3 amends s. 110.131, F.S., to conform a cross-reference to s. 110.123(13)(d), relating obsolete language regarding OPS employees hired prior to April 1, 2013.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. **Government Sector Impact:**

Mandated audits of pharmacy rebates, discounts, and other fees, may result in an increase in rebates remitted into the State Employees Group Health Self-Insurance Trust Fund.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 110.123, 110.12315, and 110.131.

IX. Additional Information:

A. **Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. **Amendments:**

None.